2 5 OCT 1978

78-6405/1

MEMORANDUM FOR: Acting Deputy Director of Central Intelligence

FROM   : James H. Taylor
                Comptroller

SUBJECT   : Comments on Proposed Changes to OMB Circular A-76   25X1

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1. [   ] We have received, for comment, the latest proposed revi-
sions to OMB Circular A-76, which governs the manner in which Federal
agencies and departments obtain goods and services. In analyzing
the proposed Circular, it quickly becomes apparent that, while CIA
probably complies with the intent of the Circular, we cannot comply
with the written letter. The overriding factor that will prevent
total CIA compliance is the DCI's statutory responsibility to protect
intelligence sources and methods—in its many manifestations.

2. [   ] The driving philosophy behind both the current A-76 and   25X1
the proposed new A-76 is the same—that is, one of Government reliance
on the private sector for goods and services. While we live with
the philosophy—over 25 percent of our 1978 appropriation will be
spent in the private sector—we do so in a very security-intensive
manner. Approximately 70 percent of our active contracts (exclusive
of small dollar value, [   ] are classified.   25X1

3. [   ] In sponsoring the revision to Circular A-76, the Office   25X1
of Federal Procurement Policy (OFPP) is directing the aggressive
implementation of its requirements. Once approved, A-76 will require
that we, among many other things:

          a. immediately compile a complete inventory of all com-
     mercial and industrial activities (those that provide a product
     or service that could be obtained from the private sector), com-
     plete with a description of each activity, the Government's
     capital investment, annual cost of operation, etc;

          b. immediately prepare and furnish a detailed schedule
     for the review of each commercial or industrial activity and
     each contract in excess of $100,000 to determine if con-
     tinued operation is consistent with A-76 requirements; and

          c. make all, or substantially all, of the above information
     available to OFPP and the private sector.

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It is this last point. _he full disclosure of this in   mation with the private sector—most of it classified—that makes CIA implementation of the proposed Circular A-76 impossible.

4.[ ]   OFPP has requested comments on their proposed changes by 23 October 1978. While we chose not to comment to OFPP when they circulated their initial proposal in March of this year, I believe it necessary that we now go on the record. I should add here that while A-76 has been around for many years, CIA has never implemented its requirements because of the same sources and methods problems. We have however had the tacit approval of previous OMB budget examiners in so doing. With OFPP's activist posture now, however, I believe that we need to formally advise OFPP that, because of the unique nature of our mission, CIA cannot comply with the provisions of the proposed Circular.   25X1

5.[ ]   The attached letter, which has been fully coordinated with the Offices of Logistics, General Counsel, and the DDS&T, provides OFPP with what I think is sufficient information to allow them to appreciate the uniqueness of CIA activities. It demonstrates the degree to which we do rely on the private sector in fulfilling our mission and our ability to expand this support. It concludes with the statement that while we feel we comply with the intent of the Circular, we cannot comply with the written words and still satisfy the DCI's statutory responsibility to protect intelligence sources and methods.   25X1

6.[ ]   It is our intent to forward the attached letter to the Administrator, OFPP (Lester A. Fettig) via our OMB Budget Examiner.   25X1

7.[ ]   I recommend that you sign the attached letter.   25X1
 25X1

_C_ James H. Taylor_/_

Attachment: As Stated

CONCURRENCE:

 25X1

Office of Logistics

10/26/78
Date

 25X1

Office of General Counsel

26 Oct 78
Date

 25X1

Procurement Management Staff, DDS&T

10-25-78
Date

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